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Internal Revenue Service

Publication 918

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Drafts of Worksheets in IRS Publications

For use in preparing

2004 Returns

(July 2004)

Caution: DRAFT WORKSHEETS

This publication contains early release drafts of selected worksheets from IRS taxpayer information publications. The worksheets are subject to change before they are officially released. The drafts will appear only on the Internet.

If you have comments on any of the draft worksheets, you can submit the comments to us on our web site. Include the word DRAFT in your response and the "Proof as of" date. You may make comments anonymously, or you may include your name and e-mail address or phone number. We cannot respond to all comments due to the high volume we receive. However, we will consider each suggestion carefully.

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Introduction

This publication contains draft worksheets from IRS taxpayer information publications (TIPs) for tax year 2004. We are making these drafts available to help you plan for the coming filing season. This publication is available only on the Internet.

The worksheet or table number shown on these worksheets relates to the publication that contains the worksheet. The status of the worksheet will be shown in the overlay. For example, the worksheet may show “PROOF AS OF JULY 25, 2004 (subject to change).”

A new version of a worksheet will be posted only if there is a change in the computation. When there is a final version of a worksheet, the draft version will be removed from this publication. To find the final version of a worksheet, see the publication containing the worksheet.

Publication 503

The Worksheet for 2003 Expenses Paid in 2004 has not yet been updated. As soon it is updated, it will appear here.

Publication 523

Worksheet 1. Adjusted Basis of Home Sold



Caution: See the Worksheet 1 Instructions *before you use this worksheet.*

1. Enter the purchase price of the home sold. (If you filed Form 2119 when you originally acquired that home to postpone gain on the sale of a previous home before May 7, 1997, enter the adjusted basis of the new home from that Form 2119.) 1. _____
2. Seller paid points for home bought after 1990. (See *Seller-paid points*.) Do not include any seller-paid points you already subtracted to arrive at the amount entered on line 1 2. _____
3. Subtract line 2 from line 1 3. _____
4. Settlement fees or closing costs. (See *Settlement fees or closing costs*.) If line 1 includes the adjusted basis of the new home from Form 2119, go to line 6.
 - a. Abstract and recording fees 4a. _____
 - b. Legal fees (including title search and preparing documents) 4b. _____
 - c. Surveys 4c. _____
 - d. Title insurance 4d. _____
 - e. Transfer or stamp taxes 4e. _____
 - f. Amounts that the seller owed that you agreed to pay (back taxes or interest, recording or mortgage fees, and sales commissions) 4f. _____
 - g. Other 4g. _____
5. Add lines 4a through 4g 5. _____
6. Cost of additions and improvements. Do not include any additions and improvements included on line 1 6. _____
7. Special tax assessments paid for local improvements, such as streets and sidewalks 7. _____
8. Other increases to basis 8. _____
9. Add lines 3, 5, 6, 7, and 8 9. _____
10. Depreciation, related to the business use or rental of the home, claimed (or allowable) 10. _____
11. Other decreases to basis (See *Decreases to basis*.) 11. _____
12. Add lines 10 and 11 12. _____
13. **ADJUSTED BASIS OF HOME SOLD.** Subtract line 12 from line 9. Enter here and on *Worksheet 2*, line 4 . . 13. _____

Publication 523



Worksheet 2. Gain (or Loss), Exclusion, and Taxable Gain

Part 1 – Gain (or Loss) on Sale

1. Selling price of home 1. _____
2. Selling expenses 2. _____
3. Subtract line 2 from line 1 3. _____
4. Adjusted basis of home sold (from *Worksheet 1*, line 13) 4. _____
5. Subtract line 4 from line 3. This is the **gain (or loss)** on the sale. If this is a loss, stop here 5. _____

Part 2 – Exclusion and Taxable Gain

6. Enter any depreciation allowed or allowable on the property for periods after May 6, 1997. If none, enter zero 6. _____
7. Subtract line 6 from line 5. (If the result is less than zero, enter zero.) 7. _____
8. If you qualify to exclude gain on the sale, enter your maximum exclusion. (See *Maximum Exclusion*.) If you do not qualify to exclude gain, enter -0- 8. _____
9. Enter the smaller of line 7 or line 8. This is your **exclusion** 9. _____
10. Subtract line 9 from line 5. This is your **taxable gain**. Report it as described under *Reporting the Sale*. If the amount on this line is zero, do not report the sale or exclusion on your tax return. **If the amount on line 6 is more than zero, complete line 11** 10. _____
11. Enter the smaller of line 6 or line 10. Enter this amount on line 12 of the *Unrecaptured Section 1250 Gain Worksheet* in the instructions for Schedule D (Form 1040) 11. _____

Publication 523



Worksheet 3. Reduced Maximum Exclusion

Caution: Complete this worksheet only if you qualify for a reduced maximum exclusion. (See Reduced Maximum Exclusion.) Complete column (B) only if you are married filing a joint return.

	(A)	(B)
	You	Your Spouse
1. Maximum amount	1. <u>\$250,000.00</u>	<u>\$250,000.00</u>
2a. Enter the number of days (or months) that you used the property as a main home during the 5-year period* ending on the date of sale. (If married filing jointly, fill in columns (A) and (B))	2a. _____	_____
b. Enter the number of days (or months) that you owned the property during the 5-year period* ending on the date of sale. If you used days on line 2a, you must also use days on this line and on lines 3 and 5. If you used months on line 2a, you must also use months on this line and on lines 3 and 5. (If married filing jointly and one spouse owned the property longer than the other spouse, both spouses are treated as owning the property for the longer period)	b. _____	_____
c. Enter the smaller of line 2a or 2b	c. _____	_____
3. Have you (or your spouse, if filing jointly) excluded gain from the sale of another home during the 2-year period ending on the date of this sale? NO. Skip line 3 and enter the number of days (or months) from line 2c on line 4. YES. Enter the number of days (or months) between the date of the most recent sale of another home on which you excluded gain and the date of sale of this home	3. _____	_____
4. Enter the smaller of line 2c or 3	4. _____	_____
5. Divide the amount on line 4 by 730 days (or 24 months). Enter the result as a decimal (rounded to at least 3 places). But do not enter an amount greater than 1.000	5. _____	_____
6. Multiply the amount on line 1 by the decimal amount on line 5	6. _____	_____
7. Add the amounts in columns (A) and (B) of line 6. This is your reduced maximum exclusion . Enter it here and on <i>Worksheet 2</i> , line 8	7. _____	_____

*If you were a member of the uniformed services or Foreign Service during the time you owned the home, see *Members of the uniformed services or Foreign Service*, to determine your 5-year period.

Publication 527

The Worksheet for Figuring the Limit on Rental Deductions for a Dwelling Unit Used as a Home has not yet been updated. As soon it is updated, it will appear here.

Publication 535

The Self-Employed Health Insurance Deduction Worksheet has not yet been updated. As soon it is updated, it will appear here.

Publication 560

Rate Table for Self-Employed

Column A If the plan contribution rate is: (shown as %)	Column B Your rate is: (shown as decimal)
1 .....	.009901
2 .....	.019608
3 .....	.029126
4 .....	.038462
5 .....	.047619
6 .....	.056604
7 .....	.065421
8 .....	.074074
9 .....	.082569
10 .....	.090909
11 .....	.099099
12 .....	.107143
13 .....	.115044
14 .....	.122807
15 .....	.130435
16 .....	.137931
17 .....	.145299
18 .....	.152542
19 .....	.159664
20 .....	.166667
21 .....	.173554
22 .....	.180328
23 .....	.186992
24 .....	.193548
25* .....	.200000*

*The deduction for annual employer contributions (other than elective deferrals) to a SEP plan, a profit-sharing plan, or a money purchase plan, cannot be more than 20% of your net earnings (figured without deducting contributions for yourself) from the business that has the plan.

Publication 560

Rate Worksheet for Self-Employed

- 1) Plan contribution rate as a decimal (for example, $10\frac{1}{2}\% = 0.105$)
- 2) Rate in line 1 plus 1 (for example, $0.105 + 1 = 1.105$)
- 3) Self-employed rate as a decimal rounded to at least 3 decimal places (line 1 \div line 2)

Publication 560

Deduction Worksheet for Self-Employed

Step 1

Enter your net profit from line 31, Schedule C (Form 1040); line 3, Schedule C-EZ (Form 1040); line 36, Schedule F (Form 1040); or line 14*, Schedule K-1 (Form 1065)

*General partners should reduce this amount by the same additional expenses subtracted from line 14 to determine the amount on line 1 or 2 of Schedule SE

Step 2

Enter your deduction for self-employment tax from line 30, Form 1040

Step 3

Net earnings from self-employment. Subtract step 2 from step 1

Step 4

Enter your rate from the *Rate Table for Self-Employed* or *Rate Worksheet for Self-Employed*

Step 5

Multiply step 3 by step 4

Step 6

Multiply \$200,000 by your plan contribution rate (not the reduced rate)

Step 7

Enter the **smaller** of step 5 or step 6

Step 8

Contribution dollar limit \$40,000

- **If you made any elective deferrals, go to step 9.**
- **Otherwise, skip steps 9 through 18 and enter the smaller of step 7**

or step 8 on step 19.

Step 9

Enter your elective deferrals made during 2004. Do not enter more than \$13,000

Step 10

Subtract step 9 from step 8

Step 11

Subtract step 9 from step 3

Step 12

Enter one-half of step 11

Step 13

Enter the **smallest** of step 7, 10, or 12

Step 14

Subtract step 13 from step 3

Step 15

Enter the **smaller** of step 9 or step 14

- **If you made catch-up contributions, go to step 16.**
- **Otherwise, skip steps 16 through 18 and go to step 19.**

Step 16

Subtract step 15 from step 14

Step 17

Enter your catch-up contributions, if any. Do not enter more than \$3,000

Step 18

Enter the **smaller** of step 16 or step 17

Step 19

Add steps 13, 15, and 18. This is your **maximum deductible contribution**

Step 20

Enter your total contributions for 2004

Step 21

Enter the smaller of step 19 or step 20. This is your **deduction**

Next: Enter your deduction on line 32, Form 1040.

Publication 571

Worksheet 1. Maximum Amount Contributable (MAC)

Note. Use this worksheet to figure your MAC

Part I. Limit on Annual Additions

- | | | | |
|----|---|----|----------|
| 1. | Enter your includible compensation for your most recent year of service | 1. | _____ |
| 2. | Maximum | 2. | \$40,000 |
| 3. | Enter the lesser of line 1 or line 2. This is your limit on annual additions | 3. | _____ |

Caution: If you had only nonelective contributions, skip Part II and enter the amount from line 3 on line 16.

Part II. Limit on Elective Deferrals

- | | | | |
|---|---|-----|----------|
| 4. | Maximum contribution <ul style="list-style-type: none">• For 2003, enter \$12,000• For 2004, enter \$13,000 | 4. | _____ |
| Note. If you have at least 15 years of service with a qualifying organization, complete lines 5 through 15. If not, enter zero (-0-) on line 14 and go to line 15. | | | |
| 5. | Amount per year of service | 5. | \$ 5,000 |
| 6. | Enter your years of service | 6. | _____ |
| 7. | Multiply line 5 by line 6 | 7. | _____ |
| 8. | Enter the total of all elective deferrals for prior years made for you by qualifying organizations | 8. | _____ |
| 9. | Subtract line 8 from line 7. If zero or less, enter zero (-0-) | 9. | _____ |
| 10. | Maximum increase in limit for long service | 10. | \$15,000 |
| 11. | Enter all prior year increases in the limit for long service | 11. | _____ |
| 12. | Subtract line 11 from line 10 | 12. | _____ |
| 13. | Maximum additional contributions | 13. | \$ 3,000 |
| 14. | Enter the least of lines 9, 12, or 13. This is your increase in the limit for long service . . | 14. | _____ |
| 15. | Add lines 4 and 14. This is your limit on elective deferrals | 15. | _____ |

Part III. Maximum Amount Contributable

- | | | | |
|-----|---|-----|-------|
| 16. | <ul style="list-style-type: none">• If you had only nonelective contributions, enter the amount from line 3. This is your MAC.• If you had only elective deferrals, enter the lesser of lines 3 or 15. This is your MAC.• If you had both elective deferrals and nonelective contributions, enter the amount from line 3. This is your MAC. (Use the amount on line 15 to determine if you have excess elective deferrals as explained in chapter 7.) | 16. | _____ |
|-----|---|-----|-------|

Publication 571

Worksheet A. Cost of Incidental Life Insurance

Note: Use this worksheet to figure the cost of incidental life insurance included in your annuity contract. This amount will be used to figure includible compensation for your most recent year of service.

1.	Enter the value of the contract (amount payable upon your death)	1.	_____
2.	Enter the cash value in the contract at the end of the year	2.	_____
3.	Subtract line 2 from line 1. This is the value of your current life insurance protection	3.	_____
4.	Enter your age on your birthday nearest the beginning of the policy year	4.	_____
5.	Enter the 1-year term premium for \$1,000 of life insurance based on your age. (From Figure 3-1)	5.	_____
6.	Divide line 3 by \$1,000	6.	_____
7.	Multiply line 6 by line 5. This is the cost of your incidental life insurance	7.	_____

Publication 571

Worksheet B. Includible Compensation for Your Most Recent Year of Service*

Note: Use this worksheet to figure includible compensation for your most recent year of service.

1.	Enter your includible wages from the employer maintaining your 403(b) account for your most recent year of service	1.	_____
2.	Enter elective deferrals for your most recent year of service	2.	_____
3.	Enter amounts contributed or deferred by your employer under a cafeteria plan for your most recent year of service	3.	_____
4.	Enter amounts contributed or deferred by your employer to your 457 account (a nonqualified plan of a state or local government or of a tax-exempt organization) for your most recent year of service	4.	_____
5.	Enter the value of qualified transportation fringe benefits you received from your employer for your most recent year of service	5.	_____
6.	Enter your foreign earned income exclusion for your most recent year of service	6.	_____
7.	Add lines 1, 2, 3, 4, 5, and 6	7.	_____
8.	Enter the cost of incidental life insurance that is part of your annuity contract for your most recent year of service	8.	_____
9.	Enter compensation that was both : <ul style="list-style-type: none">• Earned during your most recent year of service, and• Earned while your employer was not qualified to maintain a 403(b) plan	9.	_____
10.	Add lines 8 and 9	10.	_____
11.	Subtract line 10 from line 7. This is your includible compensation for your most recent year of service	11.	_____

* Use estimated amounts if figuring includible compensation before the end of the year.

Publication 571

Worksheet C. Limit on Catch-Up Contributions

Note: If you will be age 50 or older by the end of the year, use this worksheet to figure your limit on catch-up contributions.

1.	Maximum catch-up contributions	
	• For 2003, enter \$2,000	
	• For 2004, enter \$3,000	1. _____
2.	Enter your includible compensation for your most recent year of service	2. _____
3.	Enter your elective deferrals	3. _____
4.	Subtract line 3 from line 2	4. _____
5.	Enter the lesser of line 1 or line 4. This is your limit on catch-up contributions	5. _____

Publication 575

Worksheet A. Simplified Method Worksheet

1. Enter the total annuity payments received this year. Also, add this amount to the total for Form 1040, line 16a, or Form 1040A, line 12a **1.** _____
2. Enter your cost in the plan at the annuity starting date plus any death benefit exclusion* **2.** _____
Note: If your annuity starting date was **before this year** and you completed this worksheet last year, skip line 3 and enter the amount from line 4 of last year's worksheet on line 4 below. Otherwise, go to line 3.
3. Enter the appropriate number from Table 1 or 2 below. Use Table 2 if your annuity starting date is after 1997 and payments are for your life **and** the life of your beneficiary. Otherwise use Table 1 . . . **3.** _____
4. Divide line 2 by line 3 **4.** _____
5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was **before** 1987, enter this amount on line 8 below and skip lines 6, 7, 10, and 11. Otherwise go to line 6 **5.** _____
6. Enter any amounts previously recovered tax free in years after 1986 **6.** _____
7. Subtract line 6 from line 2 **7.** _____
8. Enter the **smaller** of line 5 or line 7 **8.** _____
9. **Taxable amount for year.** Subtract line 8 from line 1. Enter the result, but not less than zero. Also add this amount to the total for Form 1040, line 16b, or Form 1040A, line 12b. If your Form CSA 1099R or Form CSF 1099R shows a larger amount, use the amount on this line instead **9.** _____
10. Add lines 6 and 8 **10.** _____
11. **Balance of cost to be recovered.** Subtract line 10 from line 2 **11.** _____

Table 1 for Line 3 Above

IF the age at annuity starting date was . .	AND your annuity starting date was—	
	<i>before</i> November 19, 1996, enter on line 3	<i>after</i> November 18, 1996, enter on line 3
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or over	120	160

Table 2 for Line 3 Above

IF the combined ages at annuity starting date were . .	THEN enter on line 3
110 or under	410
111–120	360
121–130	310
131–140	260
141 or over	210

*A death benefit exclusion up to \$5,000 applied to certain benefits received by survivors of employees who died before August 21, 1996.

Publication 587

Worksheet To Figure the Deduction for Business Use of Your Home

Use this worksheet if you file Schedule F (Form 1040) or you are an employee or a partner.

PART 1—Part of Your Home Used for Business:

- | | |
|---|------------|
| 1) Area of home used for business | 1) _____ |
| 2) Total area of home | 2) _____ |
| 3) Percentage of home used for business (divide line 1 by line 2 and show result as percentage) | 3) _____ % |

PART 2—Figure Your Allowable Deduction

- | | |
|--|----------|
| 4) Gross income from business (see instructions) | 4) _____ |
|--|----------|

- | | (a)
Direct
Expenses | (b)
Indirect
Expenses | |
|---|---------------------------|-----------------------------|-----------|
| 5) Casualty losses | 5) _____ | _____ | |
| 6) Deductible mortgage interest | 6) _____ | _____ | |
| 7) Real estate taxes | 7) _____ | _____ | |
| 8) Total of lines 5 through 7 | 8) _____ | _____ | |
| 9) Multiply line 8, column (b), by line 3 | | 9) _____ | |
| 10) Add line 8, column (a), and line 9 | | 10) _____ | |
| 11) Business expenses not from business use of home (see instructions) | | 11) _____ | |
| 12) Add lines 10 and 11 | | | 12) _____ |
| 13) Deduction limit. Subtract line 12 from line 4 | | | 13) _____ |
| 14) Excess mortgage interest | 14) _____ | _____ | |
| 15) Insurance | 15) _____ | _____ | |
| 16) Repairs and maintenance | 16) _____ | _____ | |
| 17) Utilities | 17) _____ | _____ | |
| 18) Other expenses | 18) _____ | _____ | |
| 19) Add lines 14 through 18 | 19) _____ | _____ | |
| 20) Multiply line 19, column (b) by line 3 | | 20) _____ | |
| 21) Carryover of operating expenses from prior year (see instructions) | | 21) _____ | |
| 22) Add line 19, column (a), line 20, and line 21 | | | 22) _____ |
| 23) Allowable operating expenses. Enter the smaller of line 13 or line 22 | | | 23) _____ |
| 24) Limit on excess casualty losses and depreciation. Subtract line 23 from line 13 | | | 24) _____ |
| 25) Excess casualty losses (see instructions) | | 25) _____ | |
| 26) Depreciation of your home from line 38 below | | 26) _____ | |
| 27) Carryover of excess casualty losses and depreciation from prior year (see instructions) .. | | 27) _____ | |
| 28) Add lines 25 through 27 | | | 28) _____ |
| 29) Allowable excess casualty losses and depreciation. Enter the smaller of line 24 or line 28 .. | | | 29) _____ |
| 30) Add lines 10, 23, and 29 | | | 30) _____ |
| 31) Casualty losses included on lines 10 and 29 (see instructions) | | | 31) _____ |
| 32) Allowable expenses for business use of your home. (Subtract line 31 from line 30.) See instructions for where to enter on your return | | | 32) _____ |

PART 3—Depreciation of Your Home

- | | |
|---|-------------|
| 33) Smaller of adjusted basis or fair market value of home (see instructions) | 33) _____ |
| 34) Basis of land | 34) _____ |
| 35) Basis of building (subtract line 34 from line 33) | 35) _____ |
| 36) Business basis of building (multiply line 35 by line 3) | 36) _____ |
| 37) Depreciation percentage (from applicable table or method) | 37) _____ % |
| 38) Depreciation allowable (multiply line 36 by line 37) | 38) _____ |

PART 4—Carryover of Unallowed Expenses to Next Year

- | | |
|--|-----------|
| 39) Operating expenses. Subtract line 23 from line 22. If less than zero, enter -0- | 39) _____ |
| 40) Excess casualty losses and depreciation. Subtract line 29 from line 28. If less than zero, enter -0- | 40) _____ |

Publication 590

Worksheet 1-2. Figuring Your Reduced IRA Deduction for 2004

(Use only if you or your spouse is covered by an employer plan and your modified AGI falls between the two amounts shown below for your coverage situation and filing status.)

Note. If you were married and both you and your spouse contributed to IRAs, figure your deduction and your spouse's deduction separately.

IF you ...	AND your filing status is ...	AND your modified AGI is over ...	THEN enter on line 1 below ...
are covered by an employer plan	single or head of household	\$45,000	\$55,000
	married filing jointly or qualifying widow(er)	\$65,000	\$75,000
	married filing separately	\$0	\$10,000
are not covered by an employer plan, but your spouse is covered	married filing jointly	\$150,000	\$160,000
	married filing separately	\$0	\$10,000

1. Enter applicable amount from table above 1. _____
2. Enter your **modified AGI** (that of both spouses, if married filing jointly) 2. _____
Note. If line 2 is equal to or more than the amount on line 1, **stop here.** Your IRA contributions are not deductible. See *Nondeductible Contributions*.
3. Subtract line 2 from line 1. **If line 3 is \$10,000 or more, stop here.** You can take a full IRA deduction for contributions of up to \$3,000 (\$3,500 if 50 or older) or 100% of your (and if married filing jointly, your spouse's) compensation, whichever is less 3. _____
4. Multiply line 3 by 30% (.30) (by 35% (.35) if age 50 or older). If the result is not a multiple of \$10, round it to the next highest multiple of \$10. (For example, \$611.40 is rounded to \$620.) However, if the result is less than \$200, enter \$200 4. _____
5. Enter your compensation minus any deductions on Form 1040, line 30 (one-half of self-employment tax) and line 32 (self-employed SEP, SIMPLE, and qualified plans). If you are filing a joint return and your compensation is less than your spouse's, include your spouse's compensation reduced by his or her traditional IRA and Roth IRA contributions for this year. If you file Form 1040, do not reduce your compensation by any losses from self-employment 5. _____
6. Enter contributions made, or to be made, to your IRA for 2004 but **do not** enter more than \$3,000 (\$3,500 if 50 or older). If contributions are more than \$3,000 (\$3,500 if 50 or older), see *Excess Contributions*, later. 6. _____
7. **IRA deduction.** Compare lines 4, 5, and 6. Enter the smallest amount (or a smaller amount if you choose) here and on the Form 1040 or 1040A line for your IRA, whichever applies. If line 6 is more than line 7 and you want to make a nondeductible contribution, go to line 8 7. _____
8. **Nondeductible contribution.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 1 of your Form 8606 8. _____

Publication 590

Worksheet 1-5. Figuring the Taxable Part of Your IRA Distribution

Use only if you made contributions to a traditional IRA for 2004 and have to figure the taxable part of your 2004 distributions to determine your modified AGI. See *Limit If Covered By Employer Plan*. Form 8606 and the related instructions will be needed when using this worksheet.

Note. When used in this worksheet, the term **outstanding rollover** refers to an amount distributed from a traditional IRA as part of a rollover that, as of December 31, 2004, had not yet been reinvested in another traditional IRA, but was still eligible to be rolled over tax free.

1. Enter the basis in your traditional IRA(s) as of December 31, 2003	1. _____
2. Enter the total of all contributions made to your traditional IRAs during 2004 and all contributions made during 2005 that were for 2004, whether or not deductible . Do not include rollover contributions properly rolled over into IRAs. Also, do not include certain returned contributions described in the instructions for line 7, Part I, of Form 8606.	2. _____
3. Add lines 1 and 2	3. _____
4. Enter the value of all your traditional IRA(s) as of December 31, 2004 (include any outstanding rollovers from traditional IRAs to other traditional IRAs)	4. _____
5. Enter the total distributions from traditional IRAs (including amounts converted to Roth IRAs that will be shown on line 16 of Form 8606) received in 2004. (Do not include outstanding rollovers included on line 4 or any rollovers between traditional IRAs completed by December 31, 2004. Also, do not include certain returned contributions described in the instructions for line 7, Part I, of Form 8606.)	5. _____
6. Add lines 4 and 5	6. _____
7. Divide line 3 by line 6. Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	7. _____
8. Nontaxable portion of the distribution. Multiply line 5 by line 7. Enter the result here and on lines 13 and 17 of Form 8606 ..	8. _____
9. Taxable portion of the distribution (before adjustment for conversions). Subtract line 8 from line 5. Enter the result here and if there are no amounts converted to Roth IRAs, stop here and enter the result on line 15 of Form 8606	9. _____
10. Enter the amount included on line 9 that is allocable to amounts converted to Roth IRAs by December 31, 2004. (See <i>Note</i> at the end of this worksheet.) Enter here and on line 18 of Form 8606	10. _____
11. Taxable portion of the distribution (after adjustments for conversions). Subtract line 10 from line 9. Enter the result here and on line 15 of Form 8606	11. _____

Note. If the amount on line 5 of this worksheet includes an amount converted to a Roth IRA by December 31, 2004, you must determine the percentage of the distribution allocable to the conversion. To figure the percentage, divide the amount converted (from line 16 of Form 8606) by the total distributions shown on line 5. To figure the amounts to include on line 10 of this worksheet and on line 18, Part II of Form 8606, multiply line 9 of the worksheet by the percentage you figured.

Publication 590 APPENDIX B

Worksheets 1, 2, and 3

APPENDIX B. Worksheets for Social Security Recipients Who Contribute to a Traditional IRA

If you receive social security benefits, have taxable compensation, contribute to your traditional IRA, and you or your spouse is covered by an employer retirement plan, complete the following worksheets. (See *Are You Covered by an Employer Plan?* in chapter 1.) Use Worksheet 1 to figure your modified adjusted gross income. This amount is needed in the computation of your IRA deduction, if any, which is figured using Worksheet 2.

The IRA deduction figured using Worksheet 2 is entered on your tax return.

Worksheet 1

Computation of Modified AGI

(For use only by taxpayers who receive social security benefits)

Filing Status — Check only one box:

- ☐ **A.** Married filing jointly
- ☐ **B.** Single, Head of Household, Qualifying Widow(er), or Married filing separately and ***lived apart*** from your spouse during the ***entire year***
- ☐ **C.** Married filing separately and ***lived with*** your spouse at ***any time*** during the year

1. Adjusted gross income (AGI) from Form 1040 or Form 1040A (not taking into account any social security benefits from Form SSA-1099 or RRB-1099, any deduction for contributions to a traditional IRA, any student loan interest deduction, any tuition and fees deduction, or any exclusion of interest from savings bonds to be reported on Form 8815)	1.	_____
2. Enter the amount in box 5 of all Forms SSA-1099 and Forms RRB-1099	2.	_____
3. Enter one-half of line 2	3.	_____
4. Enter the amount of any foreign earned income exclusion, foreign housing exclusion, U.S. possessions income exclusion, exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico, or exclusion of employer-provided adoption benefits	4.	_____
5. Enter the amount of any tax-exempt interest reported on line 8b of Form 1040 or 1040A	5.	_____
6. Add lines 1, 3, 4, and 5	6.	_____
7. Enter the amount listed below for your filing status.		
• \$32,000 if you checked box A above		
• \$25,000 if you checked box B above		
• \$0 if you checked box C above.	7.	_____
8. Subtract line 7 from line 6. If zero or less, enter 0	8.	_____
9. If line 8 is zero, stop here . None of your social security benefits are taxable.		
If line 8 is more than 0, enter the amount listed below for your filing status.		
• \$12,000 if you checked box A above		
• \$9,000 if you checked box B above		
• \$0 if you checked box C above	9.	_____
10. Subtract line 9 from line 8. If zero or less, enter 0	10.	_____
11. Enter the smaller of line 8 or line 9	11.	_____
12. Enter one half of line 11	12.	_____
13. Enter the smaller of line 3 or line 12	13.	_____
14. Multiply line 10 by .85. If line 10 is zero, enter 0	14.	_____
15. Add lines 13 and 14	15.	_____
16. Multiply line 2 by .85	16.	_____
17. Taxable benefits to be included in modified AGI for traditional IRA deduction purposes.		
Enter the smaller of line 15 or line 16	17.	_____
18. Enter the amount of any employer-provided adoption benefits exclusion and any foreign earned income exclusion and foreign housing exclusion or deduction that you claimed	18.	_____
19. Modified AGI for determining your reduced traditional IRA deduction — add lines 1, 17, and 18. Enter here and on line 2 of Worksheet 2, next	19.	_____

APPENDIX B. (Continued)

Worksheet 2

Computation of Traditional IRA Deduction

(For use only by taxpayers who receive social security benefits)

IF your filing status is ...	AND your modified AGI is over ...	THEN enter on line 1 below ...
married filing jointly AND		
•you are covered by a retirement plan at work, or	\$65,000*	\$75,000
•you are not covered by an employer plan but your spouse is	\$150,000*	\$160,000
single, or head of household	\$45,000*	\$55,000
married filing separately**	\$0*	\$10,000
qualifying widower(er)	\$65,000*	\$75,000

*If your modified AGI is not over this amount, you can take an IRA deduction for your contributions of up to the lesser of \$3,000 (\$3,500 if you are 50 or older) or your taxable compensation. Skip this worksheet, proceed to Worksheet 3, and enter your IRA deduction on line 2 of Worksheet 3.

**If you did not live with your spouse at any time during the year, consider your filing status as single.

Note: If you were married and you or your spouse worked and you both contributed to IRAs, figure the deduction for each of you separately.

1. Enter the applicable amount from above 1. _____
2. Enter your **modified AGI** from Worksheet 1, line 19 2. _____

Note: If line 2 is equal to or more than the amount on line 1, **stop here**; your traditional IRA contributions are not deductible. Proceed to Worksheet 3.

3. Subtract line 2 from line 1 3. _____
4. Multiply line 3 by 30% (.30) (by 35% (.35) if age 50 or older). If the result is not a multiple of \$10, round it to the next highest multiple of \$10. (For example, \$611.40 is rounded to \$620.) However, if the result is less than \$200, enter \$200. 4. _____
5. Enter your compensation minus any deductions on Form 1040, line 30 (one-half of self-employment tax) and line 32 (self-employed SEP, SIMPLE, and qualified plans). (If you are the lower income spouse, include your spouse's compensation reduced by his or her traditional IRA and Roth IRA contributions for this year.) 5. _____
6. Enter contributions you made, or plan to make, to your traditional IRA for 2004, but do not enter more than \$3,000 (\$3,500 if 50 or older) 6. _____
7. **Deduction.** Compare lines 4, 5, and 6. Enter the smallest amount here (or a smaller amount if you choose). Enter this amount on the Form 1040 or 1040A line for your IRA. (If the amount on line 6 is more than the amount on line 7, complete line 8.) 7. _____
8. **Nondeductible contributions.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 1 of your Form 8606, *Nondeductible IRAs*. 8. _____

APPENDIX B. (Continued)

Worksheet 3

Computation of Taxable Social Security Benefits

(For use by taxpayers who receive social security benefits and take a traditional IRA deduction)

Filing Status — Check only one box:

- ☐ **A.** Married filing jointly
- ☐ **B.** Single, Head of Household, Qualifying Widow(er), or Married filing separately and ***lived apart*** from your spouse during the ***entire year***
- ☐ **C.** Married filing separately and ***lived with*** your spouse at ***any time*** during the year

1. Adjusted gross income (AGI) from Form 1040 or Form 1040A (not taking into account any IRA deduction, any student loan interest deduction, any tuition and fees deduction, any social security benefits from Form SSA-1099 or RRB-1099, or any exclusion of interest from savings bonds to be reported on Form 8815)	1.	
2. Deduction(s) from line 7 of Worksheet(s) 2	2.	
3. Subtract line 2 from line 1	3.	
4. Enter amount in box 5 of all Forms SSA-1099 and Forms RRB-1099	4.	
5. Enter one half of line 4	5.	
6. Enter the amount of any foreign earned income exclusion, foreign housing exclusion, exclusion of income from U.S. possessions, exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico, or exclusion of employer-provided adoption benefits	6.	
7. Enter the amount of any tax-exempt interest reported on line 8b of Form 1040 or 1040A	7.	
8. Add lines 3, 5, 6, and 7	8.	
9. Enter the amount listed below for your filing status. • \$32,000 if you checked box A above. • \$25,000 if you checked box B above. • \$0 if you checked box C above.	9.	
10. Subtract line 9 from line 8. If zero or less, enter 0 on this line.	10.	
11. If line 10 is zero, stop here . None of your social security benefits are taxable. If line 10 is more than 0, enter the amount listed below for your filing status. • \$12,000 if you checked box A above. • \$9,000 if you checked box B above. • \$0 if you checked box C above.	11.	
12. Subtract line 11 from line 10. If zero or less, enter 0	12.	
13. Enter the smaller of line 10 or line 11	13.	
14. Enter one-half of line 13	14.	
15. Enter the smaller of line 5 or line 14	15.	
16. Multiply line 12 by .85. If line 12 is zero, enter 0	16.	
17. Add lines 15 and 16	17.	
18. Multiply line 4 by .85	18.	
19. Taxable social security benefits. Enter the smaller of line 17 or line 18	19.	

Publication 596

Worksheet 1: Investment Income If You Are Filing Form 1040

Keep for Your Records

Interest and Dividends

1. Enter any amount from Form 1040, line 8a. 1. _____
2. Enter any amount from Form 1040, line 8b, plus any amount on Form 8814, line 1b. 2. _____
3. Enter any amount from Form 1040, line 9a. 3. _____
4. Enter the amount from Form 1040, line 21, that is from Form 8814 if you are filing that form to report your child's interest and dividend income on your return. (See instructions below for line 4 if your child received an Alaska Permanent Fund dividend.) 4. _____

Capital Gain Net Income

5. Enter the amount from Form 1040, line 13. If the amount on that line is a loss, enter -0-. 5. _____
6. Enter any gain from Form 4797, Sales of Business Property, line 7. If the amount on that line is a loss, enter -0-. (But, if you completed lines 8 and 9 of Form 4797, enter the amount from line 9 instead.) 6. _____
7. Subtract line 6 of this worksheet from line 5 of this worksheet. (If the result is less than zero, enter -0-.) 7. _____

Royalties and Rental Income from Personal Property

8. Enter any royalty income from Schedule E, line 4, plus any income from the rental of personal property shown on Form 1040, line 21. 8. _____
9. Enter any expenses from Schedule E, line 21, related to royalty income, plus any expenses from the rental of personal property deducted on Form 1040, line 35. 9. _____
10. Subtract the amount on line 9 of this worksheet from the amount on line 8. (If the result is less than zero, enter -0-.) 10. _____

Passive Activities

11. Enter the total of any net income from passive activities (included on Schedule E, lines 26, 29a (col. (g)), 34a (col. (d)), and 40). (See instructions below for lines 11 and 12.) 11. _____
12. Enter the total of any losses from passive activities (included on Schedule E, lines 26, 29b (col. (f)), 34b (col. (c)), and 40). (See instructions below for lines 11 and 12.) 12. _____
13. Combine the amounts on lines 11 and 12 of this worksheet. (If the result is less than zero, enter -0-.) 13. _____
14. Add the amounts on lines 1, 2, 3, 4, 7, 10, and 13. Enter the total. **This is your Investment Income.** 14. _____
15. Is the amount on line 14 more than \$2,650?
☐ **Yes.** You cannot take the credit.
☐ **No.** Go to Question 5 in Step 2 of your Form 1040 instructions to find out if you can take the credit (unless you are using this publication to find out if you can take the credit; in that case, go to *Rule 7*, next).

Instructions for line 4 if your child received Alaska Permanent Fund dividends.

To figure the amount to enter on line 4, start with the amount on line 6 of Form 8814. Multiply that amount by a percentage that is equal to any Alaska Permanent Fund dividends divided by the total amount of interest and dividend income on lines 1a and 2 of Form 8814. Subtract the result from the amount on line 6 of Form 8814.

Example. Your 10-year-old child has taxable interest income of \$1,500 and an Alaska Permanent Fund dividend of \$1,100. You choose to report this income on your return. You enter \$1,500 on line 1a of Form 8814, \$1,500 on line 2, and \$2,600 on line 4. You enter \$1,000 on line 6 of Form 8814 and line 21 of Form 1040. You figure the amount to enter on line 4 of this worksheet as follows:

$$\$1,000 - (\$1,000 \times (\$1,100 \div \$2,600)) = \$577.$$

Instructions for lines 11 and 12. In figuring the amount to enter on lines 11 and 12, do not take into account any royalty income (or loss) included on line 26 of Schedule E or any amount included in your earned income. To find out if the income on line 26 or line 40 of Schedule E is from a passive activity, see the Schedule E instructions. If any of the rental real estate income (or loss) included on Schedule E, line 26, is not from a passive activity, print "NPA" and the amount of that income (or loss) on the dotted line next to line 26.

Publication 721

Worksheet A. Simplified Method Worksheet



1. Enter the total annuity payments received this year. Also, add this amount to the total for Form 1040, line 16a, or Form 1040A, line 12a **1.** _____
2. Enter your cost in the plan at the annuity starting date plus any death benefit exclusion* **2.** _____
Note: If your annuity starting date was **before this year** and you completed this worksheet last year, skip line 3 and enter the amount from line 4 of last year's worksheet on line 4 below. Otherwise, go to line 3.
3. Enter the appropriate number from Table 1 or 2 below. Use Table 2 if your annuity starting date is after 1997 and payments are for your life **and** the life of your beneficiary. Otherwise use Table 1 . . . **3.** _____
4. Divide line 2 by line 3 **4.** _____
5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was **before** 1987, enter this amount on line 8 below and skip lines 6, 7, 10, and 11. Otherwise go to line 6 **5.** _____
6. Enter any amounts previously recovered tax free in years after 1986 **6.** _____
7. Subtract line 6 from line 2 **7.** _____
8. Enter the **smaller** of line 5 or line 7 **8.** _____
9. **Taxable amount for year.** Subtract line 8 from line 1. Enter the result, but not less than zero. Also add this amount to the total for Form 1040, line 16b, or Form 1040A, line 12b. If your Form CSA 1099R or Form CSF 1099R shows a larger amount, use the amount on this line instead **9.** _____
10. Add lines 6 and 8 **10.** _____
11. **Balance of cost to be recovered.** Subtract line 10 from line 2 **11.** _____

Table 1 for Line 3 Above

IF the age at annuity starting date was . . .	AND your annuity starting date was—	
	<i>before</i> November 19, 1996, enter on line 3	<i>after</i> November 18, 1996, enter on line 3
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or over	120	160

Table 2 for Line 3 Above

IF the combined ages at annuity starting date were . . .	THEN enter on line 3
110 or under	410
111–120	360
121–130	310
131–140	260
141 or over	210

*A death benefit exclusion up to \$5,000 applied to certain benefits received by survivors of employees who died before August 21, 1996.

Publication 721

Worksheet B. **Lump-Sum Payment**

See the instructions in Part II of this publication under *Alternative Annuity Option*.

- | | | |
|--|----|-------|
| 1. Enter your lump-sum credit (your cost in the plan at the annuity starting date) | 1. | _____ |
| 2. Enter the present value of your annuity contract | 2. | _____ |
| 3. Divide line 1 by line 2 | 3. | _____ |
| 4. Tax-free amount. Multiply line 1 by line 3. (<i>Caution: Do not include this amount on line 6 of Worksheet A in this publication.</i>) | 4. | _____ |
| 5. Taxable amount (net cost in the plan). Subtract line 4 from line 1. Include this amount in the total on line 16b of Form 1040 or line 12b of Form 1040A. Also, enter this amount on line 2 of Worksheet A in this publication. | 5. | _____ |

Publication 721

Worksheet C. **Limited Taxable Amount for Nonresident Alien**

- | | | |
|--|----|-------|
| 1. Enter the otherwise taxable amount of the CSRS or FERS annuity (from line 9 of Worksheet A) or TSP distributions | 1. | _____ |
| 2. Enter the total U.S. Government basic pay other than tax-exempt pay for services performed outside the United States | 2. | _____ |
| 3. Enter the total U.S. Government basic pay for all services | 3. | _____ |
| 4. Divide line 2 by line 3 | 4. | _____ |
| 5. Limited taxable amount. Multiply line 1 by line 4. Enter this amount on Form 1040NR, line 17b | 5. | _____ |

Publication 721

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Worksheet D. Lump-Sum Payment at End of Survivor Annuity

1. Enter the lump-sum payment	1.	_____
2. Enter the amount of annuity previously received tax free	2.	_____
3. Add lines 1 and 2	3.	_____
4. Enter the employee's total cost	4.	_____
5. Taxable amount. Subtract line 4 from line 3. Enter the result, but not less than zero	5.	_____

Publication 721

Worksheet E. Lump-Sum Payment to Estate or Other Beneficiary

1. Enter the lump-sum payment	1.	_____
2. Enter the amount of annuity received tax free by the retiree	2.	_____
3. Add lines 1 and 2	3.	_____
4. Enter the total cost	4.	_____
5. Taxable amount. Subtract line 4 from line 3. Enter the result, but not less than zero	5.	_____

Publication 915

Worksheet 1. Figuring Your Taxable Benefits

Keep for your records

Before you begin: Is your filing status *Married filing separately*?



No. Go to line 1 below.

Yes. Did you live apart from your spouse all year?

No. Go to line 1 below.

Yes. Do the following if you file:

Form 1040: Enter "D" to the right of the word "benefits" on line 20a, then go to line 1 below.

Form 1040A: Enter "D" to the right of the word "benefits" on line 14a, then go to line 1 below.

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 **1.** _____
Note: If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go to line 2.
2. Enter one-half of line 1 **2.** _____
3. Enter the total of the amounts from:
Form 1040: Lines 7, 8a, 8b, 9a, 10-14, 15b, 16b, 17-19, and 21
Form 1040A: Lines 7, 8a, 8b, 9a, 10, 11b, 12b, and 13 **3.** _____
4. **Form 1040 filers:** Enter the total of any exclusions/adjustments for:
 - Qualified U.S. savings bond interest (Form 8815, line 14)
 - Adoption benefits (Form 8839, line 30)
 - Foreign earned income or housing (Form 2555, lines 43 and 48, or Form 2555-EZ, line 18), and
 - Certain income of bona fide residents of American Samoa (Form 4563, line 15) or Puerto Rico**Form 1040A filers:** Enter the total of any exclusions for:
 - Qualified U.S. savings bond interest (Form 8815, line 14)
 - Adoption benefits (Form 8839, line 30) **4.** _____
5. Add lines 2, 3, and 4 **5.** _____
6. **Form 1040 filers:** Enter the amount from Form 1040, line 35, minus any amounts on Form 1040, lines 26 and 27.
Form 1040A filers: Enter the amount from Form 1040A, line 20, minus any amounts on Form 1040A, lines 18 and 19 **6.** _____
7. Is the amount on line 6 less than the amount on line 5?
No. None of your social security benefits are taxable.
Yes. Subtract line 6 from line 5 **7.** _____
8. If you are:
 - Married filing jointly, enter \$32,000
 - Single, head of household, qualifying widow(er), or married filing separately and you **lived apart** from your spouse for all of 2004, enter \$25,000 **8.** _____**Note:** If you are married filing separately and you lived with your spouse at any time in 2004, skip lines 8 through 15; multiply line 7 by 85% (.85) and enter the result on line 16. Then go to line 17.
9. Is the amount on line 8 less than the amount on line 7?
No. None of your benefits are taxable. Do not enter any amounts on Form 1040, line 20a or 20b, or on Form 1040A, line 14a or 14b. But if you are married filing separately and you lived apart from your spouse for all of 2004, enter -0- on Form 1040, line 20b, or on Form 1040A, line 14b.
Yes. Subtract line 8 from line 7 **9.** _____
10. Enter \$12,000 if married filing jointly; \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you **lived apart** from your spouse for all of 2004 **10.** _____
11. Subtract line 10 from line 9. If zero or less, enter -0- **11.** _____
12. Enter the **smaller** of line 9 or line 10 **12.** _____
13. Enter one-half of line 12 **13.** _____
14. Enter the **smaller** of line 2 or line 13 **14.** _____
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- **15.** _____
16. Add lines 14 and 15 **16.** _____
17. Multiply line 1 by 85% (.85) **17.** _____
18. **Taxable benefits.** Enter the **smaller** of line 16 or line 17 **18.** _____
 - Enter the amount from line 1 above on Form 1040, line 20a, or on Form 1040A, line 14a.
 - Enter the amount from line 18 above on Form 1040, line 20b, or on Form 1040A, line 14b.

Note: If you received a lump-sum payment in this year that was for an earlier year, also complete Worksheet 2 or 3 and Worksheet 4 to see whether you can report a lower taxable benefit.

Publication 915

Worksheet 2. Figure Your Additional Taxable Benefits (From a Lump-Sum Payment for a Year After 1993)

Enter earlier year _____

Keep for your records

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 for the earlier year, plus the lump-sum payment for the earlier year received after that year 1. _____
Note: If line 1 is zero or less, skip lines 2 through 20 and enter -0- on line 21. Otherwise, go on to line 2.
2. Enter one-half of line 1 2. _____
3. Enter the adjusted gross income reported on your return for the earlier year 3. _____
4. Enter the total of any exclusions/adjustments you claimed in the earlier year for:
 - Adoption benefits (Form 8839)
 - Qualified U.S. savings bond interest (Form 8815)
 - Student loan interest (Form 1040, page 1, or Form 1040A, page 1)
 - Tuition and fees (Form 1040, page 1, or Form 1040A, page 1)
 - Foreign earned income or housing (Form 2555 or Form 2555-EZ)
 - Certain income of bona fide residents of American Samoa (Form 4563) or Puerto Rico 4. _____
5. Enter any tax-exempt interest received in the earlier year 5. _____
6. Add lines 2, 3, 4, and 5 6. _____
7. Enter taxable benefits reported on your return for the earlier year 7. _____
8. Subtract line 7 from line 6 8. _____
9. If for the earlier year you were:
 - Married filing jointly, enter \$32,000
 - Single, head of household, qualifying widow(er), married filing separately and lived apart from your spouse for all of the earlier year, enter \$25,000
 - Married filing separately and lived with your spouse at any time during the earlier year, enter -0- 9. _____
10. Is the amount on line 8 more than the amount on line 9?
No. Skip lines 10-20 and enter -0- on line 21.
Yes. Subtract line 9 from line 8 10. _____
11. Enter \$9,000 (\$12,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year) 11. _____
12. Subtract line 11 from line 10. If zero or less, enter -0- 12. _____
13. Enter the **smaller** of line 10 or line 11 13. _____
14. Enter one-half of line 13 14. _____
15. Enter the **smaller** of line 2 or line 14 15. _____
16. Multiply line 12 by 85% (.85). If line 12 is zero, enter -0- 16. _____
17. Add lines 15 and 16 17. _____
18. Multiply line 1 by 85% (.85) 18. _____
19. **Refigured taxable benefits.** Enter the **smaller** of line 17 or line 18 19. _____
20. Enter taxable benefits reported on your return for the earlier year (or as refigured due to a previous lump-sum payment for the year) 20. _____
21. **Additional taxable benefits.** Subtract line 20 from line 19. Also enter this amount on line 19 of Worksheet 4. 21. _____

Note: Do not file an amended return for this earlier year. Complete a separate Worksheet 2 or Worksheet 3 for each earlier year for which you received a lump-sum payment in 2004.

Publication 915

Worksheet 3. Figure Your Additional Taxable Benefits (From a Lump-Sum Payment for a Year Before 1994)

Enter earlier year _____

Keep for your records

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 for the earlier year, plus the lump-sum payment for the earlier year received after that year	1.	_____
Note: If line 1 is zero or less, skip lines 2 through 13 and enter -0- on line 14. Otherwise, go on to line 2.		
2. Enter one-half of line 1	2.	_____
3. Enter the adjusted gross income reported on your return for the earlier year	3.	_____
4. Enter the total of any exclusions/adjustments you claimed in the earlier year for:		
• Qualified U.S. savings bond interest (Form 8815)		
• Foreign earned income or housing (Form 2555 or Form 2555-EZ)		
• Certain income of bona fide residents of American Samoa (Form 4563) or Puerto Rico	4.	_____
5. Enter any tax-exempt interest received in the earlier year	5.	_____
6. Add lines 2, 3, 4, and 5	6.	_____
7. Enter taxable benefits reported on your return for the earlier year	7.	_____
8. Subtract line 7 from line 6	8.	_____
9. Enter \$25,000 (\$32,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year)	9.	_____
10. Is line 8 more than line 9?		
No. Skip lines 10–13 and enter -0- on line 14.		
Yes. Subtract line 9 from line 8.	10.	_____
11. Enter one-half of line 10	11.	_____
12. Refigured taxable benefits. Enter the smaller of line 2 or line 11	12.	_____
13. Enter taxable benefits reported on your return for the earlier year (or as refigured due to a previous lump-sum payment for the year)	13.	_____
14. Additional taxable benefits. Subtract line 13 from line 12. Also enter this amount on line 19 of Worksheet 4	14.	_____
Note: Do not file an amended return for this earlier year. Complete a separate Worksheet 2 or Worksheet 3 for each earlier year for which you received a lump-sum payment in 2004.		

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Worksheet 4. Figure Your Taxable Benefits Under the Lump-Sum Election Method (Use With Worksheet 2 or 3)

Keep for your records

Complete Worksheet 1 and Worksheets 2 and 3 as appropriate before completing this worksheet.

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 for 2004, minus the lump-sum payment for years before 2004	1.	_____
Note: If line 1 is zero or less, enter zero on lines 2 and 11 and skip lines 3 through 10. Otherwise, go on to line 2.		
2. Enter one-half of line 1	2.	_____
3. Enter the amount from line 3 of Worksheet 1	3.	_____
4. Enter the amount from line 4 of Worksheet 1	4.	_____
5. Add lines 2, 3, and 4	5.	_____
6. Enter the amount from line 6 of Worksheet 1	6.	_____
7. Subtract line 6 from line 5	7.	_____
8. Enter the amount from line 8 of Worksheet 1. (Enter -0- if you are married filing separately and lived with your spouse at any time during 2004.)	8.	_____
9. Is line 7 more than line 8? No. Skip lines 9–17 and enter -0- on line 18. Yes. Subtract line 8 from line 7	9.	_____
10. Enter the amount from line 10 of Worksheet 1. (Enter -0- if you are married filing separately and lived with your spouse at any time during 2004.)	10.	_____
11. Subtract line 10 from line 9. If zero or less, enter -0-	11.	_____
12. Enter the smaller of line 9 or line 10	12.	_____
13. Enter one-half of line 12	13.	_____
14. Enter the smaller of line 2 or line 13	14.	_____
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0-	15.	_____
16. Add lines 14 and 15	16.	_____
17. Multiply line 1 by 85% (.85)	17.	_____
18. Enter the smaller of line 16 or line 17	18.	_____
19. Enter the total of the amounts from line 21 of Worksheet 2 and line 14 of Worksheet 3 for all earlier years for which the lump-sum payment was received	19.	_____
20. Taxable benefits under lump-sum election method. Add lines 18 and 19	20.	_____

Next: Is line 20 above smaller than line 18 of Worksheet 1?

No. You cannot use this method to figure your taxable benefits. Follow the instructions on Worksheet 1 to report your benefits.

Yes. You can elect to report your taxable benefits under this method. **To elect this method:**

- Make the following entries on your return:
On Form 1040, enter "LSE" to the left of line 20a.
On Form 1040A, enter "LSE" to the left of line 14a.
- Enter the amount from line 1 of Worksheet 1 on Form 1040, line 20a, or on Form 1040A, line 14a. If you are married filing separately and you lived apart from your spouse for all of 2004, also make the entries described at the top of Worksheet 1.
- If line 20 above is zero, follow the instructions in line 9 for "No" on Worksheet 1. Otherwise, enter the amount from line 20 above on Form 1040, line 20b, or on 1040A, line 14b.

Publication 929

Worksheets and Instructions for use in Preparing Form 8814

The worksheets and instructions for use in preparing Form 8814 have not been updated. As soon as they are updated, they will appear here.

Worksheets and Instructions for use in Preparing Form 8615

The worksheets and instructions for use in preparing Form 8615 have not been updated. As soon as they are updated, they will appear here.

Publication 936

Table 1. Worksheet To Figure Your Qualified Loan Limit and Deductible Home Mortgage Interest For the Current Year
See the *Table 1 Instructions*.

(Keep for your records.)

Part I Qualified Loan Limit		
1. Enter the average balance of all your grandfathered debt. See line 1 instructions . . .	1.	
2. Enter the average balance of all your home acquisition debt. See line 2 instructions	2.	
3. Enter \$1,000,000 (\$500,000 if married filing separately)	3.	
4. Enter the larger of the amount on line 1 or the amount on line 3	4.	
5. Add the amounts on lines 1 and 2. Enter the total here	5.	
6. Enter the smaller of the amount on line 4 or the amount on line 5	6.	
7. Enter \$100,000 (\$50,000 if married filing separately). See the line 7 instructions for a limit that may apply	7.	
8. Add the amounts on lines 6 and 7. Enter the total. This is your qualified loan limit . .	8.	
Part II Deductible Home Mortgage Interest		
9. Enter the total of the average balances of all mortgages on all qualified homes. See line 9 instructions	9.	
<ul style="list-style-type: none"> • If line 8 is less than line 9, go on to line 10. • If line 8 is equal to or more than line 9, stop here. All of your interest on all the mortgages included on line 9 is deductible as home mortgage interest on Schedule A (Form 1040). 		
10. Enter the total amount of interest that you paid. See line 10 instructions	10.	
11. Divide the amount on line 8 by the amount on line 9. Enter the result as a decimal amount (rounded to three places)	11.	× .
12. Multiply the amount on line 10 by the decimal amount on line 11. Enter the result. This is your deductible home mortgage interest. Enter this amount on Schedule A (Form 1040)	12.	
13. Subtract the amount on line 12 from the amount on line 10. Enter the result. This is not home mortgage interest. See line 13 instructions	13.	

Publication 946

Depreciation Worksheet for Passenger Automobiles

Part I

1. MACRS system (GDS or ADS) . . . _____
2. Property class _____
3. Date placed in service _____
4. Recovery period _____
5. Method and convention _____
6. Depreciation rate (from tables) . . . _____
7. Maximum depreciation deduction
for this year from the appropriate
table _____
8. Business/investment-use
percentage _____
9. Multiply line 7 by line 8. This is your
adjusted maximum depreciation
deduction _____
10. Section 179 deduction claimed this
year (not more than line 9). Enter
-0- if this is not the year you placed
the car in service. _____

Note.

- 1) If line 10 is equal to line 9, stop here. Your combined section 179 and depreciation deduction (including your special depreciation allowance or Liberty Zone depreciation allowance) is limited to the amount on line 9.
- 2) If line 10 is less than line 9, complete Part II.

Part II

11. Subtract line 10 from line 9. This is
the limit on the amount you can
deduct for depreciation (including
any special depreciation allowance
or Liberty Zone depreciation
allowance) _____
12. Cost or other basis (reduced by
any section 179A deduction¹ or
credit for electric vehicles²) _____

13. Multiply line 12 by line 8. This is
your business/investment cost _____
14. Section 179 deduction claimed in
year you placed the car in service _____
15. Subtract line 14 from line 13. This
is your tentative basis for
depreciation _____
16. Multiply line 15 by .50 if the 50%
special depreciation allowance
applies. Multiply line 15 by .30 if
you elect to claim the 30% special
depreciation allowance (instead of
the 50% special depreciation
allowance) or the Liberty Zone
depreciation allowance applies.
This is your special depreciation
allowance (or Liberty Zone
depreciation allowance). Enter -0- if
this is not the year you placed the
car in service, the car is not
qualified property (or qualified
Liberty Zone property), or you
elected not to claim any special
depreciation allowance. _____

Note.

- 1) If line 16 is equal to line 11, stop here. Your depreciation deduction (including your special depreciation allowance or Liberty Zone depreciation allowance) is limited to the amount on line 11.
- 2) If line 16 is less than line 11, complete Part III.

Part III

17. Subtract line 16 from line 11. This
is the limit on the amount you can
deduct for MACRS depreciation . . . _____
18. Subtract line 16 from line 15. This
is your basis for depreciation _____
19. Multiply line 18 by line 6. This is
your tentative MACRS depreciation
deduction _____
20. Enter the lesser of line 17 or line
19. This is your MACRS
depreciation deduction _____

- ¹The section 179A deduction is for clean-fuel vehicles or clean-fuel vehicle refueling property. When figuring the amount to enter on line 12, do not reduce your cost or other basis by any section 179 deduction you claimed for your car.
- ²Reduce the basis by the lesser of \$3,000 or 10% of the cost of the vehicle even if the credit is less than that amount.

Publication 970

Worksheet 2-1. MAGI for the Hope Credit

1. Enter your adjusted gross income (Form 1040, line 37)	1. _____
2. Enter your foreign earned income exclusion and/or housing exclusion (Form 2555, line 43, or Form 2555-EZ, line 18)	2. _____
3. Enter the amount of income from Puerto Rico that you are excluding	3. _____
4. Enter the amount of income from American Samoa that you are excluding (Form 4563, line 15)	4. _____
5. Add the amounts on lines 2, 3, and 4	5. _____
6. Add the amounts on lines 1 and 5. This is your modified adjusted gross income . Enter this amount on Form 8863, line 10	6. _____

Publication 970

Worksheet 3-1. **MAGI for the Lifetime Learning Credit**

1. Enter your adjusted gross income (Form 1040, line 37)	1. _____
2. Enter your foreign earned income exclusion and/or housing exclusion (Form 2555, line 43, or Form 2555-EZ, line 18)	2. _____
3. Enter the amount of income from Puerto Rico that you are excluding	3. _____
4. Enter the amount of income from American Samoa that you are excluding (Form 4563, line 15)	4. _____
5. Add the amounts on lines 2, 3, and 4	5. _____
6. Add the amounts on lines 1 and 5. This is your modified adjusted gross income . Enter this amount on Form 8863, line 10	6. _____

Publication 970

Worksheet 4-1. Student Loan Interest Deduction Worksheet

(Keep for Your Records)

Use this worksheet instead of the worksheet in the Form 1040 instructions if you are filing **Form 2555**, **2555-EZ**, or **4563**, or you are excluding income from sources within Puerto Rico. You must complete **Form 1040**, lines 7 through 25 and lines 28 through 34a, plus any amount to be entered on the dotted line next to line 35, before using this worksheet.

1. Enter the total interest you paid in 2004 on qualified student loans. Do not enter more than \$2,500	1.	_____
2. Enter your total income from Form 1040, line 22	2.	_____
3. Enter the total of amounts from Form 1040, lines 23 through 25	3.	_____
4. Enter the total of amounts from Form 1040, lines 28 through 34a, plus any amount you entered on the dotted line next to line 35	4.	_____
5. Add the amounts on lines 3 and 4	5.	_____
6. Subtract the amount on line 5 from the amount on line 2	6.	_____
7. Enter any foreign earned income exclusion and/or housing exclusion (Form 2555, line 43, or Form 2555-EZ, line 18)	7.	_____
8. Enter any housing deduction (Form 2555, line 48)	8.	_____
9. Enter the amount of income from Puerto Rico that you are excluding	9.	_____
10. Enter the amount of income from American Samoa that you are excluding (Form 4563, line 15)	10.	_____
11. Add the amounts on lines 6 through 10. This is your modified adjusted gross income	11.	_____
12. Enter the amount shown below for your filing status	12.	_____
<ul style="list-style-type: none">• Single, head of household, or qualifying widow(er)—\$50,000• Married filing jointly—\$100,000		
13. Is the amount on line 11 more than the amount on line 12?		
<input type="checkbox"/> No. Skip line 14, enter -0- on line 15, and go to line 16.		
<input type="checkbox"/> Yes. Subtract line 12 from line 11		
14. Divide line 13 by \$15,000 (\$30,000 if married filing jointly). Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	14.	_____
15. Multiply line 1 by line 14	15.	_____
16. Student loan interest deduction. Subtract line 15 from line 1. Enter the result here and on Form 1040, line 26. Do not include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.)	16.	_____

Publication 970

Worksheet 6-1. MAGI for the Tuition and Fees Deduction

(Keep for your records)

Use this worksheet instead of the worksheet in the Form 1040 instructions if you are filing **Form 2555**, **2555-EZ**, or **4563**, or you are excluding income from sources within Puerto Rico. Before using this worksheet, you must complete **Form 1040**, lines 7 through 26 and lines 28 through 34a and figure any amount to be entered on the dotted line next to line 35.

1. Enter the amount from Form 1040, line 22 1. _____
2. Enter the total from Form 1040, lines 23 through 26 2. _____
3. Enter the total from Form 1040, lines 28 through 34a, plus any amount entered on the dotted line next to line 35 3. _____
4. Add the amounts on lines 2 and 3 4. _____
5. Subtract the amount on line 4 from the amount on line 1 5. _____
6. Enter your foreign earned income exclusion and/or housing exclusion (Form 2555, line 43, or Form 2555-EZ, line 18) 6. _____
7. Enter your foreign housing deduction (Form 2555, line 48) 7. _____
8. Enter the amount of income from Puerto Rico you are excluding 8. _____
9. Enter the amount of income from American Samoa you are excluding (Form 4563, line 15) 9. _____
10. Add the amounts on lines 5 through 9. This is your **modified adjusted gross income** 10. _____

Note. If the amount on line 10 is more than \$80,000 (\$160,000 if married filing jointly), you cannot take the deduction for tuition and fees.

Publication 970

Worksheet 7–3 can be found on pages 36–37.

How to complete this worksheet.

- Complete Part I, lines A through H, on only one worksheet.
- Complete a separate Part II, lines 1 through 15, for each of your Coverdell ESAs.
- Complete Part III, the Summary (line 16), on only one worksheet.

Part I. Qualified Education Expenses (Complete for total expenses)

- A. Enter your total qualified education expenses for 2004 **A.** _____
- B. Enter those qualified education expenses paid for with tax-free educational assistance (for example, tax-free scholarships, veterans' educational benefits, Pell grants, employer-provided educational assistance) **B.** _____
- C. Enter those qualified **higher** education expenses deducted on Schedule C or C-EZ (Form 1040), Schedule F (Form 1040), or as a miscellaneous itemized deduction on Schedule A (Form 1040) **C.** _____
- D. Enter those qualified **higher** education expenses on which a Hope or lifetime learning credit was based **D.** _____
- E. Add lines B, C, and D **E.** _____
- F. Subtract line E from line A. This is your adjusted qualified education expense for 2004 **F.** _____
- G. Enter your total distributions from **all** Coverdell ESAs during 2004. Do not include rollovers or the return of excess contributions (see instructions) **G.** _____
- H. Divide line F by line G. Enter the result as a decimal (rounded to at least 3 places). If the result is 1.000 or more, enter 1.000 **H.** _____

Part II. Taxable Distributions and Basis (Complete separately for each account)

1. Enter the amount contributed to **this** Coverdell ESA for 2004, including contributions made for 2004 from January 1, 2005, through April 15, 2005. Do **not** include rollovers or the return of excess contributions **1.** _____
2. Enter your basis in **this** Coverdell ESA as of December 31, 2003 (see instructions) **2.** _____
3. Add lines 1 and 2 **3.** _____
4. Enter the total distributions from **this** Coverdell ESA during 2004. Do **not** include rollovers or the return of excess contributions (see instructions) **4.** _____
5. Multiply line 4 by line H. This is the amount of adjusted qualified education expense attributable to this Coverdell ESA **5.** _____
6. Subtract line 5 from line 4 **6.** _____
7. Enter the total value of **this** Coverdell ESA as of December 31, 2004, plus any outstanding rollovers (see instructions) **7.** _____
8. Add lines 4 and 7 **8.** _____
9. Divide line 3 by line 8. Enter the result as a decimal (rounded to at least 3 places). If the result is 1.000 or more, enter 1.000 **9.** _____
10. Multiply line 4 by line 9. This is the amount of basis allocated to your distributions, and is tax free **10.** _____
- Note:** If line 6 is zero, skip lines 11 through 13, enter -0- on line 14, and go to line 15.
11. Subtract line 10 from line 4 **11.** _____
12. Divide line 5 by line 4. Enter the result as a decimal (rounded to at least 3 places). If the result is 1.000 or more, enter 1.000 **12.** _____
13. Multiply line 11 by line 12. This is the amount of qualified education expenses allocated to your distributions, and is tax free **13.** _____
14. Subtract line 13 from line 11. This is the **portion of the distributions from this Coverdell ESA in 2004 that you must include in income** **14.** _____
15. Subtract line 10 from line 3. This is your **basis in this Coverdell ESA as of December 31, 2004** **15.** _____

Part III. Summary (Complete only once)

16. **Taxable amount.** Add together all amounts on line 14 for all your Coverdell ESAs. **Enter here and include on Form 1040, line 21,** listing the type and amount of income on the dotted line **16.** _____

Line G. Enter the total distributions received from **all** Coverdell ESAs during 2004. Do not include amounts rolled over to another ESA within 60 days (only one rollover is allowed during any 12-month period). Also, do not include excess contributions that were distributed with the related earnings (or less any loss) before the first day of the sixth month of the tax year following the year for which the contributions were made.

Line 2. Your basis (amount already taxed) in **this** Coverdell ESA as of December 31, 2003, is the total of:

- All contributions to this Coverdell ESA before 2004
- Minus the tax-free portion of any distributions from this Coverdell ESA before 2004.

If your last distribution from this Coverdell ESA was before 2003, you must start with the basis in your account as of the end of the last year in which you took a distribution. You can find that amount on the last line of the worksheet in the Instructions for Form 8606, *Nondeductible IRAs*, that you completed for that year. You can determine your basis in this Coverdell ESA as of December 31, 2003, by adding to the basis as of the end of that year any contributions made to that account after the year of the distribution and before 2004.

Line 4. Enter the total distributions received from **this** Coverdell ESA in 2004. Do not include amounts rolled over to another Coverdell ESA within 60 days (only one rollover is allowed during any 12-month period).

Also, do not include excess contributions that were distributed with the related earnings (or less any loss) before the first day of the sixth month of the tax year following the year of the contributions.

Line 7. Enter the total value of **this** Coverdell ESA as of December 31, 2004, plus any outstanding rollovers contributed to the account after 2003, but before the end of the 60-day rollover period. A statement should be sent to you by January 31, 2005, for this Coverdell ESA showing the value on December 31, 2004.

A **rollover** is a tax-free withdrawal from one Coverdell ESA that is contributed to another Coverdell ESA. An **outstanding rollover** is any amount withdrawn within 60 days before the end of 2004 (November 2 through December 31) that was rolled over after December 31, 2004, but within the 60-day rollover period.

Publication 972

The Child Tax Worksheet for use in preparing 2004 returns has not yet been updated. As soon it is updated, it will appear here.